



Healthy Business, Healthy Bottom Line

A toolkit to help California entrepreneurs achieve financial and physical wellness for themselves and their workforce

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Table of Contents

Introduction: Build your wealth and secure your health	3
Part 1: Financial capacity 101	4
Choose the right bank for your small business	4
Understand your personal credit.....	4
Understand how credit is scored	5
Separate your personal and business finances	5
Tackle financial stress to improve your health and wellness	6
TACTIC 1: Understand the financial pressures that may be impacting your business and your health as a business owner.	6
TACTIC 2: Find local resources to help you tackle your financial stress.	6
Part 2: Small business financing 101—Are you ready for a loan?	7
Avoid predatory lenders.	8
Become loan ready.....	8
Find a mission-driven lender in your area.....	8
Part 3: Wealth building tactics to secure your future	9
TACTIC 1: Understand cash flow to boost your bottom line	9
TACTIC 2: Build cash reserves.....	9
TACTIC 3: Use a formula to distribute your business income	9
TACTIC 4: Enroll in CalSavers, or a private workplace-based retirement plan	9
TACTIC 5: Get free assistance for wealth building.....	9
Part 4: Access affordable health coverage for yourself or your employees	10
TACTIC 1: Understand the types of expenses you are responsible for as part of your health coverage	10
TACTIC 2: Key questions to ask when comparing health plans	10
TACTIC 3: Learn the difference between ACA-compliant health plans and non-compliant plans.....	10
TACTIC 4: Getting covered has never been more affordable	11

Introduction: Build your wealth and secure your health

As a small business owner, we know you wear many hats—from running the day-to-day operations of your business, to managing employees, building a brand and much more. One thing many entrepreneurs feel unequipped to deal with while starting or running a business is how to handle business finances and maintain a healthy workforce.

A [report](#) by the Consumer Financial Protection Bureau found American business owners that implement “financial wellness” programs see increased productivity and improved bottom lines.¹ The report also found that 7 in 10 workers say financial issues are their biggest cause of stress, revealing there is a direct correlation between financial health and a person’s wellbeing.

And if you are uneasy about money, you are not alone. In fact, roughly half of Americans are uncomfortable talking about money and personal finances. But, by learning more about your personal financial capacity, you can run a healthier business and have a healthier bottom line.

Small Business Majority created this toolkit to help you access materials and connect with local resources to help you learn more about business finances, how to build your wealth, how to find responsible loans, and how to access health insurance. It will also help you access local business support organizations to help you reduce your financial stress and become a healthier and more financially savvy entrepreneur.

¹ CFPB, “Financial wellness at work,” August 2014, https://files.consumerfinance.gov/f/201408_cfpb_report_financial-wellness-at-work.pdf

Part 1: Financial capacity 101

Financial capacity simply means you have the **knowledge and skills necessary to make educated money management decisions**. This is especially important for new entrepreneurs, as you often have significant overlap between your business and personal finances.

If you're unsure about your level of financial knowledge:

1. Start with a [simple questionnaire](#) from the Consumer Financial Protection Bureau that will give you a financial wellbeing score.²
2. You can also explore [MyMoney.gov](#), a website designed to cover the basic building blocks of managing your personal finances.

Full financial capacity means you are confident in the ability to plan your long-term finances, manage your health, and save for retirement.

Choose the right bank for your small business

Navigating small business finances can be overwhelming. A good place to start is with a small business bank account. Just like with your personal finances, there are both checking and savings accounts for businesses. Most small business owners start by opening a business checking account.

Features of a small business checking account to consider include:

- **Minimum balance or deposits**—Is there a minimum deposit to open the account? Can you meet the daily or monthly minimum account balance required by the bank?
- **Transaction limits**—Does the bank limit the number of transfers or withdrawals you can make in a month? Are there limits on the amounts you can deposit or withdraw for free before incurring charges?
- **Fees**—If banks have limits on the transaction amounts, there may be cash handling fees for your account. These can be as high as \$0.30 for every additional \$100 transacted, so it's important to understand these fees before you open your account. Other potential fees include maintenance fees or fees for not satisfying the minimum balance requirement.
- **Mobile or online features**—Do you want to manage your business finances online or utilize mobile check deposits? Do you need to be able to make wire transfers online? While most national banks have integrated mobile banking and check deposits, your local credit union or community bank may not have the same level of technology.
- **Location**—Do you want a bank you can visit in person? This helps you to build a relationship with your bank for future purposes, like pursuing credit products, loans or emergency relief.

Small businesses with high volumes of cash transactions, like restaurants, may want to find bank accounts with higher transaction limits. Many small businesses find that a **low-cost community bank or credit union** best fits their needs. We recommend that you **consult with a financial advisor to ensure you make the best decision for your business**.

Understand your personal credit

Lenders use the “5 Cs of credit” to measure your “creditworthiness” and your ability to repay a loan. While your credit score is an important part of seeking any type of credit, including a small business loan (a common eligibility requirement), your “creditworthiness” is more than your credit score. The 5 Cs of Credit, including your credit score, determine your “creditworthiness.”

² CFPB, “Find out your financial well-being,” <https://www.consumerfinance.gov/consumer-tools/financial-well-being>

Understand how credit is scored

These are the factors that credit agencies use to evaluate the information in your credit reports when calculating your personal credit score:

- **Payment History (35% of score):** Pay bills and debt payments on time.
- **Debt Utilization (30% of score):** Maintain low balances on your credit cards and lines of credit. Generally, you should not exceed the use of more than 25-30% of your available credit.
- **Credit History/Age (15%):** If you have a short credit history, you can improve your score by building credit to demonstrate responsible financial behavior.
- **Credit Inquiries/New Credit Checks (10% of score):** Applications for credit accounts can bring your score down.
- **Types of Credit (10%):** A mix of different types of credit accounts can help boost your score.

Payment history carries the most weight. But your overall debt is close behind as the second most important factor.

You can check your credit score for free through our partners at Nav.com at nav.com/sbm.

Separate your personal and business finances

Separating your personal and business finances ensures that you treat your business like an independent entity while safeguarding your personal finances. It also makes it easier for you to track your actual business income and determine whether your business is generating enough revenue to allow you to pay yourself a salary.

How to separate your finances

- **Consider incorporating your business.** Incorporating your venture as a C Corp, S Corp, or limited liability corporation (LLC) can provide tax benefits based on your individual goals and situation, but more importantly it can help protect your personal assets, provided you set it up and maintain it properly.
- **Open a business checking account.** A business checking account will streamline cash flow and make record keeping much more efficient, plus it can help signify to the IRS that your venture is a business and not just a side project or hobby, making more of your expenses tax deductible.
- **Apply for a business credit card.** Once you are incorporated, having a business credit card can build your company's credit history and reduce the risk of your business transactions impacting your personal credit.
- **Set a budget.** Preparing (and sticking to) a budget for your business can prevent you from delving into personal finances due to improper planning.

The "5 Cs of Credit:"

1. **The first C is character:** Character is a lender's opinion of how trustworthy and reliable you are. Lenders will use your credit history to see if you have a good track record of repaying debt.
2. **Capacity/Cash flow:** Lenders are looking at your financial capacity or cash flow to make sure you have the money to repay the loan, plus interest.
3. **Capital:** Capital is how much of your own money you've invested in your business, or how much "skin in the game" you have. Capital shows a lender your level of dedication and commitment to your business.
4. **Collateral:** Collateral refers to property or assets that can be pledged as security like real estate, equipment or cars. By putting up collateral, your lender has the right to seize your property if you default.
5. **The last C is Conditions:** Lenders will consider outside factors that could hit your business, such as economic or industry factors.

Tackle financial stress to improve your health and wellness

Reduce your stress about money and improve your own and your employees' health with these tips.

1

TACTIC 1: Understand the financial pressures that may be impacting your business and your health as a business owner.

- Make one major financial decision at a time.
- Track your spending.
- Identify your financial stressors and make a plan to tackle them.
- Recognize how you deal with stress as it relates to money and your business finances.
- Consult a financial advisor to help you better understand your business finances and how to get your spending on track.

2

TACTIC 2: Find local resources to help you tackle your financial stress.

There are many local resources across the state that provide professional services, workgroups and classes that may help reduce anxiety and stress about financial issues. Contact the following organizations to learn more:

- [JVS.org Bookkeeping Program](#) (statewide)
- [California Women's Business Centers](#) (statewide)
- United Way Sparkpoint
 - [Southern California](#)
 - [Northern California](#)
- [Merced County's Network of Care](#) (Central Valley)
- [Accessity](#) (Southern California)
- [Fridars](#) (Southern California)
- [Los Angeles County Consumer & Business Affairs](#) (Southern California)
- [UCLA Financial Wellness Program](#) (Southern California)
- [Vision View CA](#) (Central Valley)
- [Women's Economic Ventures](#) (Southern California)
- [Mission Economic Development Agency](#)
- [Green Path Financial Wellness](#)
- [Mental Health Match](#) (Nationwide)
- [Wadeco Capital](#) (Southern California)
- [NorCal SBDC Network Finance Center](#) (Northern California)
- [Fresno Area Hispanic Foundation](#) (Central Valley)

Part 2: Small business financing 101—Are you ready for a loan?

Once you have taken the basic steps, like establishing a small business bank account, building credit and separating your personal and business finances, you might be ready to seek funding to grow your business.

This at-a-glance chart is a basic overview of the most popular loan types in California. For a comprehensive list of all small business support in California, please visit: [CA Comeback Guide](#).³

LOAN TYPES	MINIMUM LOAN AMOUNT	MAXIMUM LOAN AMOUNT	ANNUAL INTEREST RATES	TURNAROUND TIME	CRITERIA
Business Credit Card	\$250	\$25,000	13% – 25 %	1 – 3 weeks	Personal and/or business credit are key factors
Merchant Cash Advance	\$200	\$250,000	15% – 150%	1 – 7 days	Usually does not require high credit scores, but can be risky
Microloans	\$500	\$50,000	8% – 18%	1 – 3+ months	Usually does not require high credit scores
Nonprofit Loans	\$250	\$500,000	6% – 7%	6 weeks	Credit score and other factors taken into consideration
Online Marketplace Loans	\$25,000	\$500,000	7% – 30%	2 – 7 days	Credit score is less important, but still a factor
Small Business Administration (SBA) Loans	\$50,000	\$5,000,000	6% – 13 %	30 days – 6 months	Usually requires a minimum credit score
Traditional Bank Loans	\$250,000	\$5,000,000	5 – 10%	2 – 4 months	Usually requires a strong personal and/or business credit score

³ California Business Comeback Guide, Governor’s Office Of Business & Economic Development (Go-Biz), January 2022, <https://static.business.ca.gov/wp-content/uploads/2021/12/GO-Biz-California-Comeback-Guide-1-13.pdf>

Avoid predatory lenders.

Not all online lenders are created equally. Some online loans have unclear terms, hidden fees and interest rates as high as 300-900%. Obtaining an online loan for your small business can be risky.

Use our Small Business Borrowers' Bill of Rights checklist to empower you with information about good and fair lending practices as you shop and compare loan products.

- 1 Ask the lender about interest rates, fees, monthly charges and any prepayment penalties upfront. Make sure terms are clearly disclosed.
- 2 Make sure the payment amount and frequency are easily identified.
- 3 Ensure no fees or fixed charges are added to the existing principal.
- 4 Make sure the lender is not imposing any artificial deadlines for accepting the loan offer.
- 5 Finally, if going through a broker, make sure their fees, including those paid up front and over the life of the loan, are clearly disclosed.

Become loan ready

If you are thinking about taking out a loan, visit our online resource portal [Venturize.org](https://www.venturize.org). Venturize is not a lender—but a free program from Small Business Majority.

On Venturize you can:

- Compare your small business [loan options](#).
- [Get loan ready](#) with our loan application checklist, loan comparison chart, interest rate calculators and more.
- Find local lenders and no-cost small business assistance providers on our [interactive map](#).



Find a mission-driven lender in your area

Community Development Financial Institutions (CDFIs) are nonprofit lenders that cater to those with low to moderate income, underserved communities and start-ups and provide small business loans that are generally between the amounts of \$500 and \$250,000. CDFIs also provide in-person assistance to help people boost business financial skills and creditworthiness. CDFIs usually lend to start-up business owners who may not qualify elsewhere.

Here are some CDFI partners to get you started:

- Access + Capital
- Accion Opportunity Fund
- CDC Small Business Finance
- Pacific Community Ventures (PCV)
- Working Solutions
- PACE

Part 3: Wealth building tactics to secure your future

Wealth is more than income. It also includes financial assets such as stocks, bank accounts, receivables etc; and non-financial assets, such as cars, property, jewelry, real estate or inventory. Below are some key tactics to build your wealth and secure your future.

1

TACTIC 1: Understand cash flow to boost your bottom line

- Revenue and income are impacted by cash flow (cash flowing in and out of your business with payables and receivables). Well-managed cash flow helps to drive revenue. Poor cash flow management is the cause of 82% of all business failures.
- At the close of each business day, after your business payables are fulfilled, distribute your income into two investments: 1) your business and 2) yourself—your salary and savings.

2

TACTIC 2: Build cash reserves

- Use part of your business income to set aside a cash reserve for short-term needs and emergency funding needs—a measure of small business vitality and security.

3

TACTIC 3: Use a formula to distribute your business income

- Example: Distribute 40% of your business income back into the business, 30% toward your salary and 30% toward personal savings.

4

TACTIC 4: Enroll in CalSavers, or a private workplace-based retirement plan

- There are several retirement plan options available to help you and your employees invest in the future. Many of these plans include tax benefits for starting a plan and for contributing to it, as well as benefit offerings that aid employee recruitment and retention. But group retirement plans can be expensive. We recommend learning more about CalSavers, a new retirement savings program overseen by the state of California.
 - Requires minimal work from the employer.
 - Is portable.
 - Is solely funded by and managed by the employee.
 - Available to businesses with five or more employees.
- An important deadline is on the horizon for California business owners: By June 30, 2022 employers with **five or more employees** are required to have a retirement plan in place for workers—either through a private-market option, like a 401(k), or through the state-run CalSavers program.
- **For more information about how to participate in CalSavers, visit CalSavers.com**

5

TACTIC 5: Get free assistance for wealth building

- Visit Venturize.org for retirement and wealth building resources at venturize.org/retirement (available in both English and Spanish).
- Our MatchFinder tool offers financing resources specifically for California small businesses that need help starting or growing a business: matchfinder.venturize.org/California

Part 4: Access affordable health coverage for yourself or your employees

Being in good health is important to your productivity and success. However, we know it's difficult for entrepreneurs to find affordable and comprehensive health plans. Below are some key tactics to help you find comprehensive and affordable health coverage for yourself and your workforce.

1

TACTIC 1: Understand the types of expenses you are responsible for as part of your health coverage

- **Premium:** The amount you pay (usually monthly) for insurance.
- **Co-pay:** A flat fee you are responsible to pay at the time of care.
- **Deductible:** The amount you owe out-of-pocket for health services that you receive before your insurance covers the remaining costs.
- **Co-insurance:** The percent you pay for medical care after you've met your deductible.
- **Out of pocket maximum:** The maximum amount you pay of the following out-of-pocket costs combined, which includes deductibles, co-pays, and co-insurance. After reaching your insurance out-of-pocket maximum, all services are covered at 100% until the new calendar year or plan year begins.

2

TACTIC 2: Key questions to ask when comparing health plans

As you shop for ACA-compliant plans, compare your *anticipated use of services* against your *anticipated out-of-pocket costs* (such as deductibles and out of pocket maximums) for services you will use.

- How much would I pay for the premium each month?
- How much is the deductible or co-pay, for each service (regular visit, emergency, specialist, etc.)?
- What is the co-pay for my primary physician versus the co-pay for a specialist in-network?
- What are the co-pay amounts for doctors and specialists who are out-of-network?
- What is the co-pay or co-insurance from hospitals or laboratory services that are in-network, versus out-of-network?
- Is this an ACA-compliant plan (see below) that covers the 10 essential health benefits, such as prescription coverage, behavioral mental health treatment and maternity care?
- Are my prescription drug costs covered under this plan?

3

TACTIC 3: Learn the difference between ACA-compliant health plans and non-compliant plans

ACA-compliant plans must cover essential health benefits and prevent discrimination based on health status (such as pre-existing conditions, and more). ACA plans offer full coverage to cover preventive health needs (e.g., mammograms, cancer screenings, behavioral health, etc.),

as well as unplanned emergencies. ACA-compliant plans include those found on [CoveredCA.com](https://coveredca.com), MediCal coverage, and the Veterans Health Administration.

Plans that do not comply with the ACA do not offer the same basic protections as ACA-compliant plans. These include plans such as:

- **Short-term health plans:** Short-term plans typically exclude coverage for people with pre-existing conditions and are not required to cover essential benefits, like prescriptions or preventive services such as cancer screenings. Short-term health plans may appear to be an annual medical plan because they can be extended just days short of the 365 days in a year, but these plans do not offer full coverage.
- **Association health plans:** Association health plans allow self-employed and small business owners to purchase health insurance as a group. Unlike ACA-compliant plans, association health plans may charge different rates based on age, gender or location. Association health plans are not required to offer the same comprehensive benefits as ACA-compliant plans.

4

TACTIC 4: Getting covered has never been more affordable

- The ACA provides a tax credit to small business owners who offer health insurance to their employees to help offset the cost of coverage.
- Employers must have fewer than 25 full-time equivalent employees (FTEs). Average annual wages paid per FTE must be less than \$50,000 and must pay at least 50% of the premium of a qualifying plan.
- Many California small business owners, employees or self-employed individuals are eligible for support to pay for individual coverage. To see how much you may save, visit coveredca.com
- Medicaid coverage is available to those with income at or below 138% of the poverty line. Learn more at coveredca.com/health/medi-cal

To get in touch with a local outreach manager or learn more about our work, visit our website at smallbusinessmajority.org.